

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6782

BILL NUMBER: HB 1089

NOTE PREPARED: Dec 27, 2005

BILL AMENDED:

SUBJECT: Annexation of Property Zoned Agricultural.

FIRST AUTHOR: Rep. Lutz

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: This bill allows a city or town to exempt annexed agricultural land from property tax liability until the land is rezoned under a different classification. (Under current law, only certain municipalities may do this.)

Effective Date: July 1, 2006.

Explanation of State Expenditures:

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, all Lake County municipalities and Plainfield, Avon, Michigan City, Westfield, Lapel, and Pendleton may annex property classified as agricultural and exempt that property from the municipality's portion of property taxes until the property's classification is changed.

The conditions for annexation for the above-listed towns under this section of statute include:

- (1) The territory must be contiguous to the annexing municipality, and
- (2) The property owner must consent to the annexation.

This bill would allow all cities and towns to do the same.

Agricultural land has a relatively low value for property tax purposes. Currently, the base value of tillable

farmland is \$880 an acre. Exemptions of this type of property from property taxes would not represent very much valuation. Therefore, the increase in the tax base would be slightly smaller because of the exemption. The exemption would prevent the shifting of municipal property taxes onto agricultural land; however, total local revenues would not be affected. A town could annex agricultural property in anticipation of a future project, which could ultimately have a positive fiscal impact in and surrounding the town.

State Agencies Affected:

Local Agencies Affected: Cities and towns.

Information Sources:

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